

**COMMITTEE ON FINANCE
(Budget Deliberations)**

May 3, 2004

Mayor Baines called the meeting to order.

Mayor Baines called for the Pledge of Allegiance.

A moment of silent prayer was observed.

The Clerk called the roll.

Present: Aldermen Roy, Gatsas, Guinta, Sysyn, Osborne, O'Neil, Lopez,
Shea, DeVries, Garrity, Smith, Thibault and Forest

Absent: Alderman Porter

Mayor Baines advised that the purpose of the meeting is discussion relative to the School District funding requests and for such purpose a motion is in order to read the Resolution by title only.

a) Appropriating Resolution:

“A Resolution appropriating to the Manchester School
District the sum of \$138,500,000 for the Fiscal Year 2005.”

On motion of Alderman Forest, duly seconded by Alderman O'Neil it was voted to read the Resolution by title only, and it was so done.

Alderman O'Neil stated before we begin I spoke with Alderman Porter on Friday and he was a little bit concerned about the shuffling of the schedule and he got caught being out of state and did ask that I pass on to everyone his apologies. He will be back tomorrow. There was some miscommunication on our end.

Alderman Shea stated Alderman Porter didn't want to miss this meeting but I want to reiterate what Alderman O'Neil just said. He did contact me and ask...because of the change he didn't want it perceived that he wasn't interested it is just that he couldn't make it.

Mayor Baines responded he contacted me as well.

Alderman Shea moved to amend the Resolution to \$137,449,619. Alderman Lopez duly seconded the motion.

Alderman Gatsas asked, Alderman Shea, do you have anything to present to us or are you just throwing out a number.

Alderman Shea answered I do have some figures here that obviously...when I along with Alderman Lopez went over to the School District we discussed certain items that were in your budget. One of the items, of course, had to do with the \$404,000 50% of projected surplus based on February financial report. We added that to the budget that I made out. Also, the retiree's checks. These are the checks that the school employees must receive in July and August, which were not included in your particular budget. In other words, even though they retire in June because of a 26 paycheck schedule the money has to be taken out of the FY05 budget so that is really a difference of \$665,000, which came up to \$137,201,583. Then the Mayor made a presentation I believe when he approved \$138.5 million, however, and again line items cannot really be identified strictly speaking but there was an add in of \$298,036 because of a contractual agreement that has already been reached between the employees of the company that run the custodial services and the people that are in charge, the Highway Department. So, in discussing this budget I would like people to note that there are no teacher cuts, no benefit cuts, no COLA cuts and as far as the trusts are concerned the concept that I developed was that we approve this with the caveat that an incentive would be to work with prudence on the part of the School District so that the funding would be by means of a budget surplus and they would prioritize it. That is how that figure was arrived at.

Alderman Lopez asked could we have Mr. Sanders and Superintendent Ludwell come forward please.

Alderman Gatsas stated I wasn't done with Alderman Shea.

Mayor Baines replied you can come back to him.

Alderman Lopez stated Mr. Sanders, I have had some conversations with you in trying to understand the 45 retirees and in looking at the budget that was presented by the School Board, which is \$665,000 added to that budget but in order to do that in looking at the 45 retirees we are looking at \$2.4 million and that came up to about \$3.117 million when we got done. I would like you to go through that exercise that we had so that there is no mistake in why Alderman Porter and

myself were very adamant and Alderman Shea about were we shortchanging the retirement system. Could you please do that?

Mr. Bill Sanders stated the schedule that I am going to talk about or reference is a schedule that I sent to the Aldermen back on April 9. There was a schedule in there that provided a summary of our retirement payments.

Alderman Gatsas asked can you show us that document.

Mr. Sanders answered it was Exhibit 5 of my April 5 letter to the Aldermen. Let me just walk down the schedule. First of all it is correct that at the present time we believe that 45 individuals will retire from the School District. The annual salary for 12 months, 26 paychecks, is \$2,452,000. That will be the start of the savings in FY05 if we didn't have to go through the additional costs that I am going to lay out. That is the gross annual salary for the teachers retiring. A couple of things need to be deducted from that. First of all, \$377,000 for the four checks that will be paid after July 1. So those checks get expensed for budget purposes in next year's budget so we have to net that against the \$2.4 million. The second figure is a stipend that 43 of the retirees qualify for of \$6,000 each because they gave us retirement notification before the beginning of January. That is \$258,000 and again that will be paid after June 30 in the next fiscal year when their retirement begins. Also, we have to pay retired teachers under the contract with the MEA, the cost of any unused accrued sick time up to 90 days. These 45 teachers have unused sick days of \$1,111,000 so that needs to be deducted. Once again, that will be paid after July 1 in the next fiscal year. Finally, for budget purposes we have assumed that we will replace those 45 teachers and once again they will only get 22 paychecks next year so we have them in there for a cost next year of \$1,371,000. If you add and deduct all of those amounts, you come to a net cost of \$665,000 for the retirements announced this year and that is what we have placed in our budget.

Alderman Lopez stated I think this is very critical because when we were talking about \$32,500 it is very possible that a teacher could be hired at \$40,000 or \$50,000 and that is the reason for the funds being in there. Do you agree with that?

Mr. Sanders responded that is correct. We normally budget that we will hire at a Bachelor's fifth year, which is about \$36,000 under the current teacher's contract.

Alderman Lopez stated I think the other area that is important was the maintenance area. I think Mr. Frank Thomas is here. Anyway, could you tell us what you did in the maintenance area when looking at the \$138.5 million that was projected? What happened to some of the money there and where are we going

with the maintenance? What do you think the cost is that the City is charging you?

Mr. Sanders responded well I hope we think the same number but once again I sent material out on Thursday to the Aldermen. My letter is dated April 29. If you look in that package it is Item 4. There is a schedule detailing the Building Maintenance budget as it was included in the School District's budget of \$6,184,000 and you can see the categories of cost. I won't go through that unless you want me to. If you look at that schedule you will see that we reduced to meet the Mayor's budget of \$138.5 million, our maintenance budget by another \$500,000. Essentially, the only...well we believe that now we are at about \$.75 a square foot under the Mayor's budget.

Alderman Shea stated I know that when we prepared this we were leveling it at \$.65/square foot but Frank can you explain about any contractual agreements.

Mayor Baines stated also Frank in that discussion we have been bantering about in Finance Committee meetings a \$1.2 million increase. If you could address that issue because it is really not but go ahead.

Mr. Frank Thomas stated let me start off with the easy one. The \$1.2 million increase is the increase in the amount of school chargebacks this year. That is made up of...actually there is an increase in the...the Mayor's budget increased our operating budget for Building Maintenance by I believe \$1,037,000. The chargebacks went up \$1.2 million and part of that increase over what the Mayor noted was a shifting of some of the monies off the City side on to the School District side to agree with the budget that came down from the School District and the Mayor noting the chargeback number. Basically we worked back to this chargeback number that was identified. As far as the contractual obligations, there is approximately \$145,000 in custodial preventive maintenance under Aramark that needs to be included in the annual CPI adjustment and the second part of that, I think it was \$152,000 to cover increased custodial services – more FTE's in some of the schools that have had additions like Bakersville Elementary School, etc. and that came up to \$298,000 and some change if I remember correctly.

Alderman Lopez asked Mr. Sanders in the document that you provided to all of the Aldermen and I presume that all of the Aldermen received it because I did but your figure for facility maintenance for the FY05 budget...looking at the \$138.5 million I believe your number is \$5.684 million. Is that correct?

Mr. Sanders answered that is correct.

Alderman Lopez stated I would just like to say a couple of things before there are other questions. First of all, this was very difficult because it is not our responsibility to cut any line items in the school budget as we all know. We just give a bottom line but I think taking the time and going over to make sure that the School District wasn't short changed and I spent three and a half hours with Mr. Sanders and I want to thank him publicly because I think he educated me quite a bit and I appreciate that. There are all kinds of ways that the School District can meet this number that Alderman Shea has put out on the floor and there are many ways that they can eliminate \$1 million. Can they deal with \$1.5 million, I don't think so after reviewing it but I want to say that the most important thing is to give them a number. I think we can argue all day about where you should get the money or what you should do and I have a bunch of suggestions but it is not going to do any good. If anybody on the School Board wants those suggestions, I will be more than happy to give them to them. I am looking at the trust funds and a few other places. The biggest savings that you mentioned as it were...I feel that you could save some money in moving around line items I think it is worthy to say with the 45 retirees and I have talked to Mr. Sanders on that. You have a total figure of \$2.4 million and you are not going to hire 45 people at \$2.4 million so there is a savings in that particular area that can be moved around. There has been a lot of talk in the last couple of weeks about a lot of things and I want to tell everybody that some of the things I have heard are not true. I want to commend Alderman Shea who has stepped forward from the beginning and educated us on the 45 retirees and the position of the 20 days when you hire someone for \$75/day but that only lasts for 20 days and not six months or what we have been told on other occasions as we have had all kinds of figures out there. With that, I am very comfortable with the number and I agree with Alderman Shea that it doesn't lay off any teachers and it doesn't increase the classroom size and I think the School Board can work with this budget.

Alderman Gatsas stated Mr. Sanders obviously you have expressed some of the concerns that you had with the numbers that I had thrown around but let me ask you a couple of questions. How many retirees did you have last year? Forty-two if my memory serves me correct?

Mr. Sanders responded we had 33 retirees in the prior fiscal year.

Alderman Gatsas stated so those 33 retirees, did they have the same accrued sick times and the stipends of \$6,000 each.

Mr. Sanders responded no they did not. It was lower because under the contract that was in effect a year ago the maximum they could go up to was 80 days and the salary was lower so it was about \$800,000.

Alderman Gatsas asked how much did they have...was the \$6,000 per retiree included.

Mr. Sanders answered yes.

Alderman Gatsas stated let's talk about the four summer checks. The four summer checks for those retirees, were they included in this year's budget.

Mr. Sanders responded yes they were.

Alderman Gatsas stated so if we use those premises that you just laid out for us and if we talk about a zero based budget, which I am sure you are very familiar with, would you not agree that in the \$127 million that we gave you last year it had \$800,000 of accrued sick time to the retirees. That is what you just told me.

Mr. Sanders replied yes it is in the budget for this year.

Alderman Gatsas asked so when you are showing me \$111 million we really should credit you maybe \$310,000 to get you to that number because you have already got \$800,000 in the budget. Let's try it again because I see a starry eyed look and maybe I can help you with this. In your \$127 million budget last year you had money for 33 retirees for the accrued sick time and the \$6,000 per retiree. Is that correct?

Mr. Sanders answered yes that is correct.

Alderman Gatsas asked so if I gave you \$127 million this year and you only had 33 retirees and if the contract was the same you would have the funds to take care of the retirees in that \$127 million.

Mr. Sanders responded well to use the phrase that you used, Alderman, zero based budgeting, our salary budget each year we zero base to give you the list of the 2,000 employees of the School District...

Alderman Gatsas interjected we will get to that, Mr. Sanders. My question is if the salary increases were zero and you had 33 retirees and I gave you \$127 million could you meet those numbers?

Mr. Sanders replied probably.

Alderman Gatsas stated so we can take \$377,000 and we can take \$800,000 just to help my colleagues so that they understand where I came from and I just didn't arbitrarily pull a number out of a hat. I did something to construct the zero-based

budget. If we then go back to your number for 45 replacement teachers at 22 checks, if you use the analysis that I gave you, you are telling me that it is going to cost you \$1.3 million. I used \$32,500 for 45 teachers and that comes out to \$1.4 million so there is another \$100,000 additional that I am giving you that is over and above the number that you are looking at. Do you agree with that?

Mr. Sanders replied yes I see your arithmetic.

Alderman Gatsas stated and if we go back to the magical four checks, those should be in your FY04 payment that we allocated at \$127,000 because when you came to us you didn't tell us we are going to have to pay some of those teachers and I think that there are some people maybe still on this Board but we had this conversation four years ago about moving salaries from one year that was earned to another year and if you haven't heard about that conversation some people should remind you but that \$377,000 was in your budget to pay those people was it not?

Mr. Sanders responded it was in this year's budget for the people who announced their retirements last year, correct.

Alderman Gatsas stated so that \$377,000 is still available to you at a zero based budget.

Mr. Sanders replied no Sir. As I said in a zero-based budget we have gone back to our salary line by employee here is the salary under the current contract. Individuals that retired two years ago and what we paid them are not part of this FY05 budget.

Alderman Gatsas responded no but they were part of your 2004 budget.

Mr. Sanders replied yes but they are not part of the FY05 budget and I thought we were talking about the FY05 budget.

Alderman Gatsas stated in 2004 you had 33 retirees and you either paid them summer checks or you didn't pay them summer checks. You are showing me that this is a salary wage for four summer checks for retirees that in your budget of \$127 million those checks were included in that.

Mr. Sanders responded for the 33 people that retired a year ago there were four paychecks for them in the current fiscal year that is correct.

Alderman Gatsas asked last year when you put your budget together and you brought it forward at \$127 million did you have any idea that you were going to have 45 retirees that you were going to have to pay in the summer.

Mr. Sanders answered Sir I wasn't here when we prepared the budget last year but the budget was prepared last year on the basis of 33 individuals retiring on June 30, 2003. Those were the checks that were to be paid in FY04, not the 45 retirees.

Alderman Gatsas replied let me try to make this a little easier. You show us in FY04 a wage line of \$69.5 million. That \$69.5 million included four summer checks for those 45 retirees.

Mr. Sanders responded yes it does.

Alderman Gatsas stated so if it is there and it is in that number we shouldn't be giving it back to you for FY05 because it is in the \$69.5 million. We can't give it to you twice because we are not paying it twice.

Mr. Sanders responded for a zero-based budget you just don't build off what last year's salaries were. You go all the way back to this is what Bill Sanders is going to make in salary for the next year and you build up in a zero-based budget. We didn't base our budget on the \$69.5 million and incrementally add to it. That is not zero-based budgeting.

Alderman Gatsas replied but I am saying if it was zero based those teacher's salaries were paid for in the \$69.5 million.

Mayor Baines stated I think you have two different definitions, with all due respect Alderman, of what a zero-based budget is.

Alderman Gatsas stated your Honor when they did their budget last year they didn't say we are going to have 45 retirees that we have to pay \$1 million for in FY05.

Mayor Baines responded I think Mr. Sanders is trying to answer your question and he disagrees with you. I think he has a right to do that. It doesn't mean he is right or your are right. He has a difference of opinion.

Alderman Thibault stated I am not in the habit of throwing flowers. I don't throw flowers to people. There have been many numbers going through this Board in the last five or six weeks and I just think that there is not a member of this Board or any Board that I have ever served on that would want to short change the children in our schools. Having heard both sides more than once, I just can't

understand why we are still quibbling with this. The only other thing I would like to add, your Honor, is I would have to give you a flower because finally you were able to sit with a few Aldermen and pare down even some of your figures and I commend you for that. I want you to know that because I am sure that was not an easy thing for you to do. Something that we have always done on this Board in the last 25 years is we nit-pick this thing to the point that these people are wondering if they in fact can serve our children and our grandchildren properly. I think we have heard enough of this and I would just like to see this thing go with the number that Aldermen Shea and Lopez and yourself have come up with which I believe is a number that the School Board can live with. We ought to get this done with and take care of the rest of the City's budget and see if we can pare down that budget to the point that it makes some sense to the people that are out there because, your Honor, I have never in my life as long as I have been on this Board had as many calls as I have had about the percentage increase in the budget. I think it behooves us to really look at the rest of our budget, the City part, to make sure that we bring it to something that the people in this City can live with. Thank you.

Alderman Smith stated in going back to Alderman Shea's proposal, the contracting manpower increase is \$298,036 I believe. Is that correct? The contract obligation for the following year.

Mr. Sanders asked are you talking about Building Maintenance? Yes.

Alderman Smith asked what about the supplemental maintenance fees for schools. I know that it is not in Alderman Shea's proposal. It was a figure of \$562,000.

Mr. Sanders responded in the Mayor's budget we had continued to include, not continued to include but reduced our supplemental or enhanced maintenance, which we had originally started with a much higher number and it is now down to about \$308,000.

Alderman Smith stated what I am getting at is Alderman Shea I believe the surplus is \$404,000 that they could retain and the savings on the supplemental maintenance is not going to be involved.

Alderman Shea responded no.

Alderman Gatsas stated Mr. Sanders just back to where we were so that we can put some closure to at least this portion of the line item, if you are agreeing that those 45 employees have salaries of \$2.4 million and if you agree that those summer checks of \$377,000 for those 45 employees are in your budget now and if you agree that the replacement checks that I was giving you for the \$32,500 at 26

payrolls is \$100,000 more and if you agree that the \$1.1 million is an \$800,000 figure that is already in your budget that we can deduct that from there that really the savings that we were talking about at \$989,177...do you have the sheet that I submitted?

Mr. Sanders responded I probably do, yes.

Alderman Gatsas stated that that savings based on your correction and based on your analysis it is not a decrease of \$665,000 but it is still really a savings of about \$670,000. Would you not agree after what we just went through?

Mr. Sanders replied no I wouldn't.

Alderman Gatsas asked could you explain to me why.

Mr. Sanders answered the individuals that retired in 2002...

Alderman Gatsas interjected 33 of them.

Mayor Baines stated let him speak uninterrupted please.

Mr. Sanders stated there was a net cost of those retirements that were in this FY04 budget. As we built the 2005 budget, the first thing that we do is go through a detailed listing of all of the employees of the School District and in my idea of a zero based budget put in the salaries and any anticipated increases and steps to build a budget that starts at zero and builds up. It doesn't start from \$69.5 million or \$127 million. It starts at zero and that is how we built the salary line. Then we add to the salary line after we have done all 2,000 employees approximately, special payments or the impacts of retirements and estimates of substitutes, etc. What is in the FY05 budget is a net cost of \$665,000 for the 45 retirees that have announced their retirements so far. That is the zero based budget process that we undertook. It wasn't to rely on what happened in FY03 and build on that.

Alderman Gatsas asked but don't you have to take that out of your \$69.5 million so you are starting really at a number of \$127 million. Isn't that correct?

Mr. Sanders answered that would be another way to build a budget. That wasn't the way this budget was built.

Alderman Gatsas asked but if we did that, if we took that into consideration and we took those analysis out because you would have to remove that...

Mr. Sanders interjected we have. We have removed the effect of the 33 people who have retired. They are now replaced with folks that are on some step in the teacher contract and moving up. That has been incorporated into our budget already.

Alderman Gatsas responded not at \$127 million because you are not replacing those people again. I am not replacing them for you. I am leaving them in there. I am giving you \$100,000 more than what you figured on your number and I am saying if you had \$800,000 in there for those 33 retirees that \$800,000 stays. We didn't withdraw it so it is still there. We really should pull everything out for those 33 employees and then build a budget back.

Mayor Baines asked Mr. Sanders do you agree with that.

Mr. Sanders answered that is how we built the budget. I don't really know how else to answer your question.

Alderman DeVries stated maybe there is one component that we are missing as we try to compare the zero-based budget that Alderman Gatsas had before you. Were there new hires added in last year? We know the 45 retirees were on the payroll as it was built but did you bring in new hires to replace prior retirees that were receiving their first summer paychecks in this budget that we are trying to evaluate?

Mr. Sanders responded yes we did.

Alderman DeVries asked is that a number that needs to be added in to the zero based budget when you are comparing them that is not being added in on both sides.

Mr. Sanders answered I can tell you in the School District's proposed budget it has been taken care of. The four checks and the new hires from last year have been added in.

Alderman DeVries asked how many new hires were added in. I think we increased the numbers above the retirees from the prior year.

Mr. Sanders replied I think we hired approximately 15 new teachers.

Alderman DeVries stated so we have 15 new summer paychecks that you are also trying to build into this.

Mr. Sanders responded that is correct.

Alderman DeVries stated without a doubt this is a level of scrutiny for the school budget that I have not seen with the budgets that we have gone through. Alderman Thibault hit the nail on the head when he indicated that there is a grave level of concern for what is happening in the City with taxes and that has forced us to not only look at the City side for any potential cuts because we do that every year but also to scrutinize this budget to this level. Nobody wants to impact negatively schools. We all realize for economic development that quality education is very important but at the same time for economic development we have to keep in mind what the tax increases in the City might be and that is why we are going through this exercise.

Alderman Osborne stated I would like to know on the maintenance what is the figure difference between new construction. How much money is set aside for new construction for maintenance? What is the total dollar figure?

Mr. Sanders responded in our FY05 budget we had set aside I believe about \$140,000 for maintenance of additional square footage that will be turned over to the School District in the next fiscal year.

Alderman Osborne asked this is routine maintenance that we are talking about like cleaning of floors, etc.

Mr. Sanders answered yes.

Alderman Osborne asked how much did you say again.

Mr. Sanders answered \$140,000.

Alderman O'Neil stated I have a couple of questions for Alderman Shea. Am I correct that I heard you say that in the number you presented you restored the projected surplus of \$404,000.

Alderman Shea answered correct.

Alderman O'Neil stated I also and I don't know what the correct terminology is on this but regarding the 45 retirees you came up with a number that is exactly in a conversation that I had with Mr. Sanders last week the \$665,000. You have included that in your number correct?

Alderman Shea responded yes.

Alderman O'Neil stated I want to follow-up a little bit on Alderman Smith's comments about maintenance. If I look at the handout, Mr. Sanders, and Item 4 on your handout of April 29 and based on comments from Mr. Thomas it appears that the increase is there for the CPI and the additional square footage that will be brought on line of approximately \$3.7 million for custodial services.

Mr. Sanders responded yes Sir.

Alderman O'Neil stated and the discussion right now looks like it is pretty level funded at approximately \$1.3 million for building maintenance or preventative maintenance or whatever the correct terminology is there. Does that appear to be correct as well?

Mr. Sanders answered yes that appears to be correct. It is a little bit high. I am not sure which budget we are referencing now. The Mayor's budget is up about \$300,000.

Alderman O'Neil stated so this addresses some of my concerns and I commend Alderman Shea, this addresses some of the concerns that I had in terms of conversations that I had with Dr. Ludwell and Mr. Sanders last week and I appreciate the work that Alderman Shea and others did on this.

Alderman Guinta asked did you have an opportunity to look at Alderman Shea's figure prior to this meeting we are in.

Mr. Sanders replied when you say his figure...

Alderman Guinta interjected the figure he presented.

Mr. Sanders asked the budget amount.

Alderman Guinta answered yes.

Mr. Sanders stated no Sir. Alderman Lopez and Alderman Shea came to my office and we spent about three hours walking through some of the issues we talked about this evening and they had other questions on material. Other than doing some calculations they referenced some numbers but it wasn't my role as the Business Administrator for the School District...

Alderman Guinta interjected well you have had a chance to hear the figure that they proposed tonight. Is that a figure that you can live with? Would you like to comment on that figure?

Mayor Baines asked how about Dr. Ludwell, the Superintendent of Schools.

Superintendent Ludwell stated I think it is a figure that presents us with a very, very austere budget for next year.

Alderman Guinta asked would you agree with the justification for the figure. Let me expand on that. That you could implement the justifications for Alderman Shea coming to that figure?

Mr. Sanders replied I think Mr. Lopez and Mr. Shea would agree that they went through where they were looking for savings and some of them are challenges that remain to be seen. I couldn't assure the Superintendent today that...we have a difficult next month ahead of us if this is our budget and we are going to have to make some difficult decisions. Right now there is not a road map that I have seen that I would recommend the Superintendent that gets to \$137 million. I am not disputing the arithmetic behind it but a budget is more than just numbers that you add together and divide. There are decisions behind each one of those numbers that we have to take and look at how we put our budget together and say that was a decision that we were going to do X or Y and we can't do X or Y and how is that going to fall through the system. In a month's time we would be delighted to come back and tell you where it is at but right now I don't know that.

Alderman Guinta asked so are you recommending that we wait before we take a vote on the number that was presented.

Mr. Sanders answered I am the Business Administrator. I don't know if I have an opinion about that. I would only say this that I think it is in the interest of the School District to get a budget number and to begin to deal with the situation. From my personal point of view to deal with this uncertainty organizationally is very, very difficult.

Mayor Baines stated let me also respond as Chairman of the School Board. One of the things that is happening on the School side right now, Alderman Guinta, is none of the principals are out in the job market right now hiring because of this uncertainty. They have to get a number and that is why we tried to get some consensus early on. Right now in talking to some of the principals they are losing candidates for jobs because other districts are offering contracts right now. We have some very highly qualified people that we are losing. When you lose your veteran staff I am sure you can appreciate having to go out and replace that caliber of people in a very competitive marketplace. It is extremely difficult right now so they need to get a number, put their arms around it and make some decisions on what positions they can fill and allow principals to go out and make some hires right now.

Alderman Guinta stated I know that over the last few weeks we have talked about or you have talked about contingency plans. You must have an idea if you don't receive \$138.5 million where you would make adjustments in your number to meet the highest priorities that you have set out as a School District. Would that be a fair statement?

Superintendent Ludwell asked have we looked at various contingencies. Yes. Have we come to the point of making any kind of a decision as far as what contingency plan to recommend? No. I would also like to reiterate or restate that the budget that we submitted at \$140 million we felt was a very responsible budget. I am sure the Mayor felt that the \$138.5 million was a very responsible budget. I think the District is well aware of the pressures that the Aldermanic Board is feeling relative to taxes. We are sensitive to that because most of us are residents and taxpayers. I am not to the point of making a recommendation to the School Board relative to what contingencies we need to undertake. Will we have to? Yes, we will have to. I think again to summarize the budget it is a very austere budget that is being proposed for the School District next year.

Alderman Guinta stated I can appreciate that. I think in the future it would probably help this Board to understand...we are faced with the task of trying to determine the number that we think you can work with. It has been said a number of times that everybody on this Board cares about education and cares about the quality of education in this City. We all have different positions as to what the priorities are and we obviously convey that message through the number of budget presentations that you have seen. I think it would be more beneficial in the future for us to sit down maybe individually to discuss some of those things because it is clear that not everybody on this Board thinks it is as imperative to have an expendable trust for example versus school books or text books that some people during the public sessions have expressed concerns about. I don't know what the vote...if there is going to be a motion on which number tonight but I think we work pretty well as a Board. I hope that we can continue to communicate more because I think there are efficiencies that could be created if we were all a little more open about what our specific levels of priorities are.

Superintendent Ludwell responded Sir we have tried to have an open invitation to all of the Aldermen to come in and visit with us and to call us during the entire process. We attempted that last year. I know we made invitation to the Board this year and we would welcome your input during the process.

Alderman Roy stated I did have a long conversation with my School Board member from Ward 1 today and I will be voting after that discussion hopefully on this number. Dealing in realities and questions for the Superintendent, with this

number will you be able to have a full replacement of retirement teachers plus the new hires proposed under the Mayor's budget?

Superintendent Ludwell replied I prefer to look at it from the standpoint will we be able to reduce the large number of classes 30 or more. No we won't. Will we provide some level of adequate education? Yes we will.

Alderman Roy stated my next bullet point was show a reduction in class size. So your answer to that is under this number or any lower number you will not be able to show a reduction in class size?

Superintendent Ludwell responded I don't believe so keeping in mind that this is the first time we have seen the number.

Alderman Smith stated you can see that we are trying to control spending. If we add costs faster than revenues are coming in we are either going to have to lay off or have higher taxes. This is the dilemma we have. I don't think you put a price on education. I believe our youngsters deserve the best but we are in a dilemma. I think there are about eight or nine different budgets out there from different Aldermen and I think everybody is trying to do the best they can. As you know, I advocated the school budget proposed by the Mayor but I would like to go in detail on Alderman Shea's proposal and come to a consensus one way or the other and take a vote tonight. These people need a figure and with SB302 we don't even know what we are going to get from the state.

Alderman Thibault stated we all know how much the school budget has increased this year but what I would like to know is can you tell me the exact figure of debt problems that you would have to pay this year because of the vote that this Board took last year for \$105 million to rebuild all of our schools. What is the price of that alone in your budget? Give me some idea. Just a ballpark.

Mr. Sanders replied I don't want to give a ballpark. The debt service specifically related to the design-build project is \$5,260,000.

Alderman Thibault asked so that is in your budget this year.

Mr. Sanders answered yes it is. I just want to make one more point because I believe Alderman Gatsas would correctly ask the question if I didn't. We have other debt from last year that we have paid off and that is about \$650,000 that isn't in our budget this year. If somebody asks me a question about what is in the budget for design-build debt, not net debt increase but design-build it is \$5.2 million. If we hadn't done the design-build project our expenditure request would have been \$5,260,000 lower.

Alderman DeVries stated I just want to follow-up a little further on Alderman Roy's questioning. He was asking you whether or not there was going to be any reduction in the classroom size and I just wanted some clarification because in the Mayor's budget if I recall the \$138.5 million you were only making hires for nine mandatory positions. Is that correct?

Mr. Sanders responded that is correct.

Alderman DeVries asked was that going to reduce classroom size.

Superintendent Ludwell answered no. Those were driven from OCR for English language learners and from special education.

Alderman DeVries asked so those are mandatory hires so they will still be included in this budget tonight

Mayor Baines stated they hope to be able to do that because if they don't there could be possible sanctions against the District.

Alderman DeVries asked maybe you should elaborate on that.

Superintendent Ludwell answered we would be out of compliance with both our OCR agreement...

Alderman DeVries interjected which is what.

Superintendent Ludwell responded Office of Civil Rights. We entered into an agreement with them relative to the education of our English language learning students or our refugee students and it has specific requirements in there. We also might be out of compliance relative to 94.142 IDEA special education.

Mayor Baines stated just to give you an example of this and Karen is here to correct me if I am wrong but it was about six or seven years go that we were out of compliance with the English as a Second Language then and we were served notice that unless we addressed the issue the Federal government would consider withdrawing all Federal funds from the District. At that time we had to hire and I can't remember the number of teachers but there was a very significant number.

Alderman DeVries stated tonight this is the Finance Committee that we are in so even though the motion needs to come from Finance the final vote if it does happen would take place tomorrow night. Would you be able to come back with an answer to us by tomorrow night as to whether this proposal, the \$137,499,000

would allow you to maintain the nine mandatory hires that you identified in the \$138.5 million budget? Can you make that decision by tomorrow night for us?

Mayor Baines responded as Chairman of the School Board he can only make a recommendation. That would have to go before the full Board.

Alderman DeVries asked would you be able to make that recommendation.

Superintendent Ludwell answered the recommendation I can tell you right now we would be making the recommendation for those nine positions because they are mandated. It would mean you would have to take those resources from some other part of the budget.

Alderman DeVries asked and the School Board will be going through the same action that we are going through on the City side budget looking for every other cost-effective measure that they can.

Mayor Baines answered yes and I would split that because we just cannot be out of compliance with the Office of Civil Rights. That puts too much of the Federal funding plus the services that are required for some of the more needy children in our District.

Alderman Shea stated this is kind of an editorial but many people called and said approve the budget and so forth. One of my former teachers came to me and said can you relieve the pressure in the grade level that I am at. I am assuming that obviously that will be in the works here because there is a need at the elementary level. My stress has always been the better we prepare the children with the gifted and talented program as well as others so I am sure that in your wisdom you will find the necessary provisions so that there will be some sort of relief granted at that particular school. Could we move the question, your Honor?

Alderman Forest duly seconded the motion to move the question.

Alderman Gatsas stated your Honor there are people that sit on this side of the room.

Mayor Baines responded I thought we spent a lot of time on that side of the room tonight. The motion on the floor is to move the question. Alderman Shea requested a roll call vote. Aldermen Shea, DeVries, Smith, Thibault, Forest, Roy, Sysyn, O'Neil and Lopez voted yea. Aldermen Garrity, Gatsas, Guinta, and Osborne voted nay. The motion carried.

Mayor Baines asked the Clerk to read the motion on the floor.

Deputy Clerk Normand stated the motion on the floor is to amend the Resolution appropriating to the Manchester School District the sum of \$138,500,000 for the Fiscal Year 2005 to \$137,499,619.

Alderman Gatsas asked for a personal privilege. Your Honor, wouldn't it be in the best interest of all citizens that obviously before we approve one budget that is better than 50% of the entire City's expenditures that we come to a resolution on the rank and file. Yes, the children are very important to everybody on this Board but certainly the rank and file...

Mayor Baines interjected you are moving into discussion. The motion has already been made. Mayor Baines called for a vote. Alderman Gatsas requested a roll call vote. Aldermen Lopez, Shea, DeVries, Smith, Thibault, Forest, Roy, Sysyn, Osborne, and O'Neil voted yea. Aldermen Garrity, Gatsas, and Guinta voted nay. The motion carried.

Mayor Baines stated the Appropriating Resolution is now on the floor as amended.

Alderman Thibault moved that the Amending Resolution as amended ought to pass and layover. Alderman O'Neil duly seconded the motion. Alderman Gatsas requested a roll call vote. Aldermen Gatsas, Guinta, and Garrity voted nay. Aldermen Sysyn, Osborne, O'Neil, Lopez, Shea, DeVries, Smith, Thibault, Forest and Roy voted yea. The motion carried.

b) Budget proposal submitted by Alderman Gatsas.

Mayor Baines asked could the Clerk advise me on how to handle Item b.

Deputy Clerk Johnson stated it is an item that remains tabled unless you want to remove it from the table and receive and file.

Mayor Baines asked so it will come up at every meeting if we leave it there.

On motion of Alderman Roy, duly seconded by Alderman Lopez it was voted to remove Item b from the table.

Alderman Gatsas moved to vote on the Mayor's budget.

Mayor Baines responded it is not on the agenda tonight.

Alderman Gatsas replied sure it is. We are in the Committee on Finance so we can do anything we want.

Mayor Baines stated the only issue for discussion tonight is Schools. That is all we posted.

Alderman Thibault moved to receive and file Item b. Alderman O'Neil duly seconded the motion. Mayor Baines called for a vote. The motion carried with Alderman Gatsas being duly recorded in opposition.

Alderman Gatsas stated your Honor we are in the Committee on Finance.

Mayor Baines responded and we are going to deal with the School District budget only tonight. That is the only agenda item tonight. That is all that was posted.

Alderman Gatsas replied it doesn't matter. We are in the Committee on Finance. Can we get the Solicitor's ruling?

Mayor Baines stated tomorrow night we are having the other departments in. I would assume that we would want to bring all of the departments in that you requested to have a discussion with them. We are going to proceed.

Appropriating Resolution:

“A Resolution appropriating to the Manchester School Food and Nutrition Services Program the sum of \$5,162,270 from School Food and Nutrition Services Revenues for Fiscal Year 2005.”

On motion of Alderman Thibault, duly seconded by Alderman Shea it was voted to read the Appropriating Resolution by title only, and it was so done.

On motion of Alderman Thibault, duly seconded by Alderman DeVries it was voted that the Appropriating Resolution ought to pass and layover.

Alderman Lopez stated on the Resolutions for the trust funds I have had some conversations on it and I am not opposed to having the trust funds but I would hope that they would coincide like we do on the City side instead of line items. In reading some of the material, especially Item 5 and how the trust funds are established, they can put any amount into a line item as I see it. I know the auditor agrees that they should have them but I am not too sure that is the way it should be done. That was a problem that we had at the Administration Committee and we pushed it here. I am wondering if we could have some dialogue to make sure that

the trust funds that they are setting up are funded by maybe a percentage like we do on the City side. I don't know if they are prepared to talk about that.

Mayor Baines asked School Committee Member Donovan, who is the Chairman of the Finance Committee, to come forward and address that.

School Committee Member Donovan stated I think, Alderman Lopez, your question is...we passed a proposal, we took it to the Committee on Administration and my recollection is the Committee on Administration agreed that it could be referred to the Mayor's Office to work on some language. That was done and I think what you are looking at is language that came from...I think it was reviewed by City Finance, etc. I think specifically your question about specific dollar amounts...we had wanted to put something in there originally that we could appropriate by line item and I had a sense that the consensus among the Aldermen was that you didn't want it to come from line items but from surplus so I think that is the way it is written.

Alderman Lopez responded I have both documents and they are identical. Nothing has been touched from the Administration Committee to whoever you sent it to. Nothing has been touched as far as changing anything in the documentation. What I am reading is they are going to deposit up to \$25,000 from FY04 appropriation together with any additional amounts authorized by the Board of School Committee. I am just a little concerned with that. I understand that you need the trust fund. I just think there ought to be some more dialogue here to make sure that we are not putting a lot of money over there and then increasing the School budget tremendously and having all of these funds whereby they can draw from. I understand the procedures of getting these funds out of there but in Section 5 it says the funds of the Manchester School capital projects trust shall not exceed the amount equal to line items for capital projects. What capital projects are we speaking of? Are we speaking of the \$105 million? Is there a ceiling?

School Committee Member Donovan stated I am sure this is the item that you looked at at the Administration Committee but this is not what we proposed. This is something that was worked on here at City Hall.

Mayor Baines asked would you prefer that we table these this evening for further discussion.

School Committee Member Donovan answered I am okay with tabling it but we would like very much to get this approved this fiscal year because we want to start this this fiscal year. I am hoping that tabling it doesn't mean that it doesn't get approved this fiscal year.

Mayor Baines stated if we tabled it, it would come up at another Finance Committee meeting. That is what would happen to it. I don't know if the Board is prepared to vote on these tonight.

Alderman Smith stated Mr. Donovan came before the Accounts Committee and presented this and I believe there were five categories that totaled \$175,000. I think that our concern was that since the School Board is elected by the people that they would have so many votes like we have – 10 votes needed if they were going to give out more money. In other words, I think what they want to do is start off at a stepping stone of \$175,000. That is how I understood it. That is all I can say at this time.

Mayor Baines called Mr. Kevin Clougherty forward.

Mr. Kevin Clougherty stated Alderman Smith is correct. The items were brought before the Committee on Accounts, Enrollment and Revenue and it was determined that the trust funds were a good idea and that they were something that we should be looking at but there was some concern by the members of the Committee with respect to appropriating into them directly rather than waiting for the year end calculation of fund balance much the same as we do on the City side. The language was referred to the Solicitor's Office. They were redrafted and that is what is before you tonight. At the time that the Solicitor's Office was drafting them there was still the idea that there would be \$175,000 appropriation. So if it is the intent of the Board that you want to go forward with the concept of the trust funds, you can certainly vote them out tonight and then at tomorrow night's meeting we could have amended Resolutions or amended language that would simply take out of the appropriation component of it and then the trust funds would be in place and as they have fund balance in those line items then that would roll in. If that is your pleasure, that could be done.

Alderman Gatsas asked, Kevin, if the voters of this City decide that the School District will become a department of this City can those agreements be turned in to the City.

Mr. Clougherty answered certainly any fund balance on the School District side would be considered as part of the whole tax process at that time.

Alderman Gatsas asked so at any time if the voters of this City decide that it is going to be a department we can roll those in.

Mr. Clougherty replied again that is a legal question.

Alderman Gatsas asked can I hear from the City Solicitor then.

Solicitor Clark stated I understand your question to be that if there is a Charter amendment that goes through to combine the City and School into one entity.

Alderman Gatsas responded correct.

Solicitor Clark stated then all of the assets would be combined and be part of the City.

Alderman Gatsas asked so those escrow accounts could be...

Solicitor Clark interjected if the Charter is changed pursuant to State law and combined into one entity then all of the assets become combined.

Alderman O'Neil stated I am a little bit confused. It sounded like Alderman Smith, School Committee Member Donovan and Mr. Clougherty are on the same page. I am a little confused as to what happened with the wording then. Can somebody just...

Mr. Clougherty responded the original items that came over from the School District did not include certain features like the number of votes that it would take for an expenditure by the School Board. So we had discussions with School Administration on that and made some recommendations that were talked about at the Committee on Accounts and then the Solicitor's Office worked on refining those trust resolutions and that is what before you but at that time, Alderman, it was still being contemplated that there would be this \$175,000 appropriation. If that is not going to take place we can certainly go back and change those resolutions to reflect that change.

Mayor Baines stated and the recommendation is to move these forward tonight. They still have to go before the full Board and they will have revised language to reflect some of the concerns expressed by some members of the Board.

Alderman O'Neil asked does the School Board then have to vote on the language.

School Committee Member Donovan answered yes because it would be different. I think the big hurdle is for this Board to pass them.

Alderman O'Neil asked, Tom, do you believe there will be any significant differences with the School Board from what originally came over and what the Committee on Accounts has recommended.

School Committee Member Donovan answered no. I think that some of the ideas that are in here are very good, such as having as Alderman Smith mentioned a 2/3 vote. I think that is a very good suggestion so there are some good ideas here.

Alderman O'Neil stated I am fully supportive of moving forward on this.

Resolution:

“Establishing a Manchester School District Capital Projects Expendable Trust.”

On motion of Alderman DeVries, duly seconded by Alderman Roy it was voted to read the Resolution by title only, and it was so done.

Alderman O'Neil moved that the Resolution ought to pass and layover. Alderman DeVries duly seconded the motion. Mayor Baines called for a vote. The motion carried with Aldermen Gatsas, Guinta and Garrity duly recorded in opposition.

Alderman Lopez asked is this coming back to the Board with different language.

Mayor Baines answered correct. We are just laying it over.

Deputy Clerk Johnson stated just to clarify the process what will happen is the report will come out of Committee tonight to the Board tomorrow night and at that point if you want to make changes to it we are going to suggest that you either change it or you table it until you know what your changes are so it won't go any further than that.

Resolution:

“Establishing a Manchester School District Facilities Maintenance and Repair Expendable Trust.”

On motion of Alderman Thibault duly seconded by Alderman Forest it was voted read the Resolution by title only, and it was so done.

Alderman O'Neil moved that the Resolution ought to pass and layover. Alderman Sysyn duly seconded the motion. Mayor Baines called for a vote. The motion carried with Aldermen Gatsas, Guinta and Garrity being duly recorded in opposition.

Resolution:

“Establishing a Manchester School District Health Maintenance
Expendable Trust.”

On motion of Alderman Thibault, duly seconded by Alderman O'Neil it was voted to read the Resolution by title only, and it was so done.

Alderman O'Neil moved that the Resolution ought to pass and layover. Alderman Shea duly seconded the motion. Mayor Baines called for a vote. The motion carried with Aldermen Gatsas, Guinta and Garrity being duly recorded in opposition.

Resolution:

“Establishing a Manchester School District Athletic Equipment
Expendable Trust.”

On motion of Alderman O'Neil, duly seconded by Alderman Forest it was voted to read the Resolution by title only, and it was so done.

Alderman DeVries moved that the Resolution ought to pass and layover. Alderman Smith duly seconded the motion. Mayor Baines called for a vote. The motion carried with Aldermen Gatsas, Guinta and Garrity being duly recorded in opposition.

Resolution:

“Establishing a Manchester School District Special Education
Expendable Trust.”

Alderman Shea moved to read the Resolution by title only. Alderman Forest duly seconded the motion.

Alderman Gatsas asked Mr. Clougherty can you tell me what \$175,000 would cost the taxpayers on the tax rate.

Mayor Baines stated between three and four cents.

Alderman Gatsas stated so the taxpayers would have to pay four additional cents for these reserves to be set-up.

Mayor Baines responded yes unless they set it up within their appropriating resolution.

Mayor Baines called for a vote on the motion to read by title only. There being none opposed, the motion carried.

Alderman DeVries moved that the Resolution ought to pass and be enrolled. Alderman Shea duly seconded the motion.

Alderman Shea stated the point is that we are not appropriating anything tonight. We are not costing the taxpayers anything. What most of us reason is if the School Department comes in with a surplus similar to what the City comes in with then they will have a trust fund available to them in the event that there is a problem with special education or with other things. In other words, that is all we are saying. We are not adding any money to the School Department in my opinion at this stage. We are just saying if they have a surplus. That's all.

Alderman Guinta stated I would respectfully disagree. You are right that the money is coming out of any overlay but typically that overlay comes back to this Board. So you are going to subtract out the \$175,000 in their surplus so instead of getting whatever number we are going to get this year and we don't know what it is yet but if it is \$500,000 we are going to get \$500,000 minus \$175,000. That is going to continue every year until they complete however much money they would like to put in each trust.

Alderman Shea responded they have an auditor who audits their books similar to an auditor who audits our books. That is why we have established trust funds on the City side in order to cope with any unexpected expenditures. It will be there in the event that some catastrophic situation develops as it did many years ago – I am not sure when it was that we had to appropriate a great deal more money because of special needs and concerns that the City was faced with. It was about \$100,000. So basically that comes out of the taxpayer's money at that stage so that if they have this particular trust fund set-up in my opinion it is a sound safeguard.

Mayor Baines stated I want to repeat that these trust funds have been recommended by the external auditors on both the School and City side and recommended by the Finance Officer of the City so we are not doing something that hasn't been scrutinized by external auditors and our own Finance Department.

Alderman Gatsas stated with all due respect to my colleague, Alderman Shea, every time you appropriate \$175,000 more in the School budget it is four cents to the taxpayer. Now I don't think that anybody on this Board for one second would ever let the School Department out to hang if they had a catastrophic situation. There is no reason why we need to have trust accounts on the City side and also develop them on the School side. I don't think for one second that anybody would do that. So for us to start hitting the taxpayers with funds because we think that

they are going to have a savings when Alderman Lopez and yourself disallowed the \$400,000 surplus as a savings...that is obvious and there was \$800,000 that was there that we saw in the statement that didn't take \$400,000 into account from the medical reserves.

Alderman Shea responded if the School Department in their prudence are able to be penny wise or pound wise and penny foolish and they do save money I think they should be given credit for this prudence myself. That gives them an incentive for these people to operate their School District. It is not a department unfortunately. We may not all concur with that thinking in terms of whether it is prudent or not to have a District rather than a department but in the basis of every day accountability if the school administrators and the School Board members are prudent and they are able somehow to run their District in a very sound manner I believe that this is a prudent way for them to use a certain amount, a very little amount, but a certain amount and that is the only way. We do it in the City and the point of the matter is if departments didn't run their departments in a frugal manner we wouldn't have been able to bail out the Welfare Department a few years ago by all of the different departments contributing so I think it is an incentive for every department and the School District in general to do that.

Mayor Baines stated and we wouldn't have a rainy day fund or some of these other reserve funds we have established.

Alderman Shea asked may I just add that if, for instance, the School District is able to do that I believe that it adds to our fiscal accountability in terms of borrowing and things like that because that shows there is prudence.

Mayor Baines responded absolutely.

Alderman DeVries stated in addition to the comments that have already been made there is one thing that I hope to see with the establishment of the trust funds and that would be each year when the School Department meets to make up their budget and we all know that they cannot go into deficit spending, they need to make their allocations based on worst case scenarios so when they are looking at their health insurance anticipated use and that truly is driven by the actual use, they have to budget for the worst case scenario. Now when we establish the different trust accounts it is going to allow them the latitude of looking at the past experience and basing their budget directly on past experience knowing that they have a rainy day account to fall back on if that experience turns out to be different. Special education funding is the same thing. They have had a very difficult time predetermining the number of new special education students that might be moving into the district. Special education students can be devastating to their budget. This is a safety device that not only will help us level out some of the

increases in the budgeting my hope but also allow the auditor to be far more comfortable with the status of the budgeting at the School Department.

Mayor Baines called for a vote on the motion that the Resolution ought to pass and layover. The motion carried with Aldermen Gatsas and Guinta being duly recorded in opposition.

There being no further business, on motion of Alderman Smith, duly seconded by Alderman Thibault it was voted to adjourn.

A True Record. Attest.

City Clerk